

OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988

MARGARET KELLY, CPA



Report No. 89-92
October 18, 1989

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

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Larry C. Williams
Treasurer
City of St. Louis, Missouri 63103

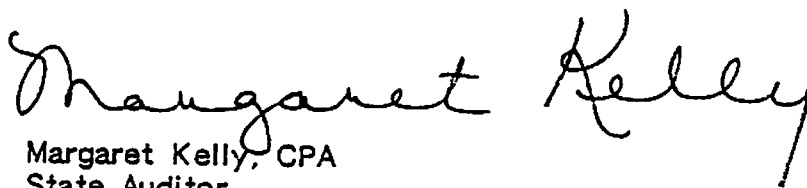
The State Auditor was petitioned under Section 29.230, RSMo 1986, to perform an audit of the city of St. Louis, Missouri. Accordingly, we have conducted a review of the Office of the Treasurer, Parking Meter Division. Our review included, but was not necessarily limited to, the city's fiscal year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the Parking Meter Division's system of internal controls.
2. Perform a limited review of certain management practices to determine the efficiency and effectiveness of those practices.
3. Review probable compliance with certain constitutional provisions, statutes, administrative rules, attorney general's opinions, and city ordinances as we deemed necessary or appropriate.
4. Perform a limited review of the integrity and completeness of the Parking Meter Division's financial reporting system.
5. Perform procedures deemed necessary to evaluate petitioner concerns.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the Parking Meter Division's financial records, payroll procedures and documents, expenditures, contractual agreements, and other pertinent procedures and documents; interviewed personnel of the Parking Meter Division; and compiled the information in the appendices from the records and reports of the Parking Meter Division. The data presented in the appendices were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures and, therefore, we express no opinion on them.

The accompanying History and Organization is presented for informational purposes. The background information was obtained from office management and was not subject to the audit procedures applied by us in our examination.

Our comments on management practices and related areas are presented in the accompanying Management Advisory Report.


Margaret Kelly, CPA
State Auditor

November 1, 1988

HISTORY AND ORGANIZATION

**OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION**

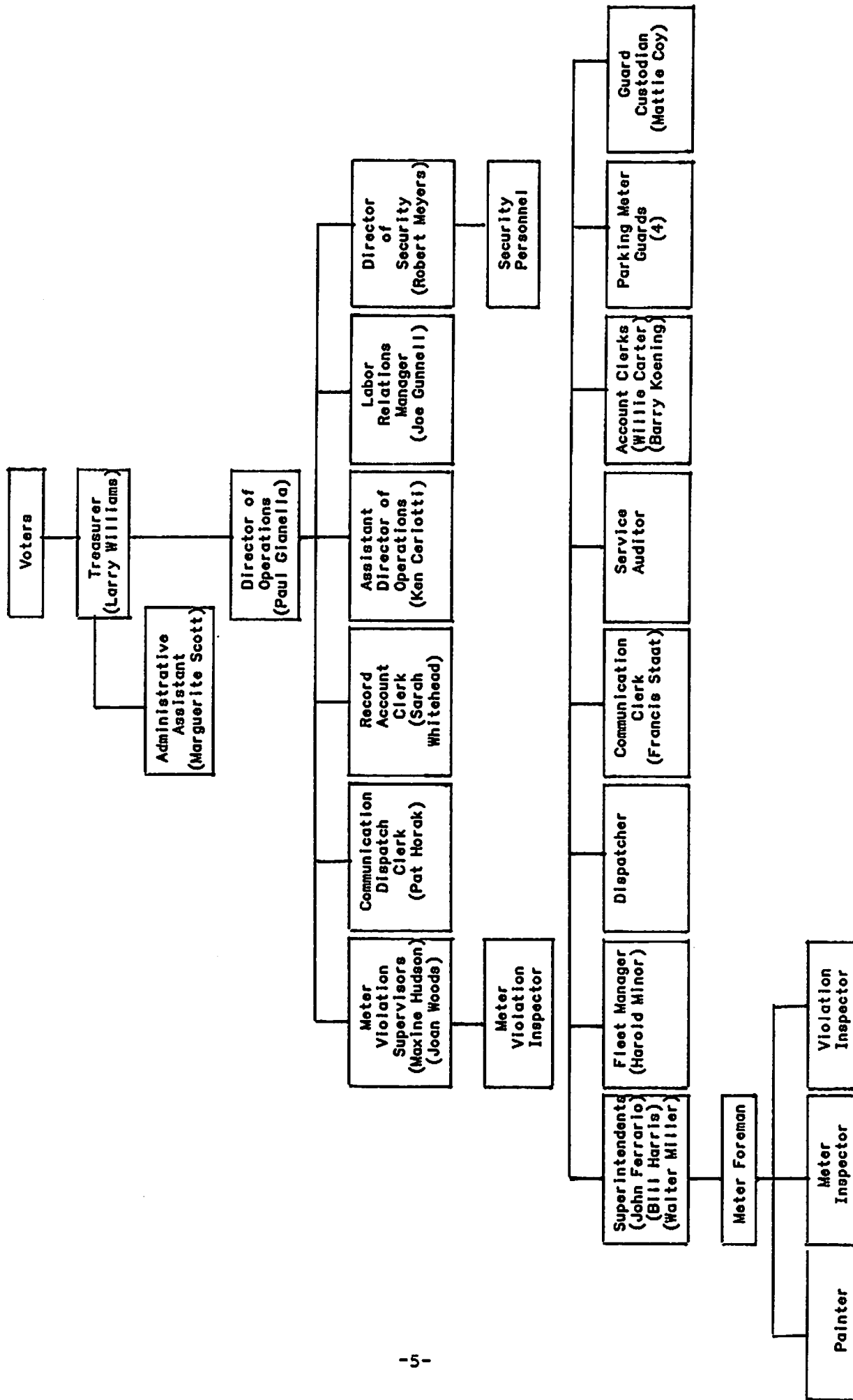
As provided by Section 82.485, RSMo 1986, the treasurer of the city of St. Louis serves as the supervisor of city parking meters. As supervisor, it is the treasurer's responsibility to collect all parking meter fees, supervise the expenditures for repairs and maintenance, and to make all disbursements on any parking meter contracts which are made by the city. These responsibilities are governed by Missouri statutes and the Revised Code of the city of St. Louis.

Larry C. Williams currently serves as the Treasurer and Parking Meter Supervisor for the city of St. Louis. He has served in that capacity since his appointment by Mayor Vincent C. Schoemehl in May 1984. Mr. Williams was elected to his position in November 1984. Administrative office functions are performed and supervised by the Treasurer's appointed staff. At April 30, 1987, key office personnel were as follows:

Paul Gianella, Director of Operations
Kenneth Ceriotti, Assistant Director of Operations
Patricia Horak, Communications Dispatch Clerk
Joseph C. Gunnell Sr., Manager of Labor Relations
Robert Meyers, Director of Security
Sarah Whitehead, Record Account Clerk
Joan Woods, Meter Violation Supervisor
Maxine Hudson, Meter Violation Supervisor

At April 30, 1987, the Parking Meter Division employed approximately sixty-four full-time employees.

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
ORGANIZATION CHART
APRIL 30, 1987



MANAGEMENT ADVISORY REPORT

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. 3147 South Grand Purchase and Construction (pages 10-13)

The division did not document sales negotiations, comply with state law, exercise proper monitoring over contractual agreements, or reasonably estimate expected revenues in the purchase of a parcel of land at 3147 South Grand. The cost of this venture was over \$250,000 in city and federal funds.

2. Lease Agreements (pages 13-15)

- A. A current written lease agreement does not exist for property leased to a private individual. This violates Section 432.070, RSMo 1986. Additionally, it does not appear the Parking Meter Division made all reasonable efforts to maximize lease revenues.
- B. The division forfeited at least \$5,500 in revenues as a result of accepting an undocumented change relating to the revenue allocation ratio with the S&H Parking System.
- C. The division's acceptance of a ten year tenancy lease in conjunction with the purchase of property at 1621 Olive was not documented in a manner that clearly justified the existing tenancy arrangement.

3. Annual Allocation to Department of Streets (pages 16-18)

- A. The division has never complied with annual budget ordinances appropriating parking meter funds to the Department of Streets.
- B. The monthly financial report submitted to the Comptroller distorts the financial condition of the division and, further, does not comply with the Revised Code of the City of St. Louis
- C. The division assisted the Department of Streets in purchasing the Street Department a \$30,000 traffic counter system. Because city purchasing channels were not used, the parking meter's appropriation obligation was not reduced.

4. Cash Controls (pages 18-19)

- A. Responsibilities assigned to the accounts payable/receivable clerk and the finance manager are not adequately segregated.
- B. A change fund maintained by the Parking Meter Division has not been established on an imprest basis.

5. Personnel Records and Procedures (pages 20-21)

- A. Records documenting sick leave balances are not consistently accurate and complete. Additionally, records documenting cumulative vacation leave balances are not maintained.
- B. The responsibilities of preparing payroll records and distributing payroll checks are not independently assigned.

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the Office of Treasurer, Parking Meter Division, city of St. Louis, for the year ended June 30, 1988, we studied and evaluated the internal accounting control system to the extent needed to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls as cash, payroll, revenues, and expenditures. Our study included each of these control categories. Since the purpose of our study and evaluation was to determine the nature, timing, and extent of our audit procedures, it was more limited than would be needed to express an opinion on the internal accounting control system taken as a whole.

It is management's responsibility to establish and maintain the internal control system. In so doing, management assesses and weighs the expected benefits and related costs of control procedures. The system should provide reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are carried out as authorized by management and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.

Because of the inherent limitations in any internal control system, errors or irregularities may still occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and, thus, might not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the internal accounting control system of the division taken as a whole. However, our study and evaluation disclosed certain conditions that we believe are material weaknesses and these findings are presented in this report.

We reviewed probable compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in this report.

During our review, we identified certain management practices which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in this report should not be considered as all inclusive of areas where improvements may be needed.

The State Auditor was petitioned under Section 29.230, RSMo 1986, to audit the city of St. Louis. We included those procedures necessary in our judgment to evaluate the petitioner concerns and those concerns requiring corrective action are addressed in this report.

The period of examination for the purposes stated above included, but were not limited to, the period covered by the financial statements for the year ended April 30, 1987.

1. 3147 South Grand Purchase and Construction

During October 1985, the Parking Meter Division began negotiations to purchase property located at 3147 South Grand. Through the coordinated efforts of the Grand-Tower Local Development Company (LDC), the division negotiated a \$10,000 sales option contract. Over a period of the next two years, approximately \$250,000 in city and federal monies were spent to complete the land purchase and construct parking facilities.

Our review of the 3147 South Grand purchase and redevelopment raised several concerns as discussed below:

A. Negotiations

We were unable to locate any written evidence to document the sales negotiations for the purchase of 3147 South Grand. Through our review of the division's expenditure records we determined a land purchase had occurred. Treasurer Williams indicated that the land had been purchased through the LDC in an effort to disassociate the purchase with the city of St. Louis. He indicated that this purchasing method afforded the city with the lowest purchase price available.

Based upon information made available to us, the city received title to the parcel of land at 3147 South Grand after paying the LDC \$200,000. Available documentation did not indicate the price paid by the LDC. Since we saw no evidence of an appraisal being performed or even any evidence of price negotiations or contract terms, we cannot determine if the lowest possible price was paid for the land, or if a sales commission or profit was made by the LDC.

B. Contractual Compliance

The Parking Meter Division did not effectively monitor its contractual relationship with the LDC. The Parking Meter Division had entered into an agreement with the LDC whereby the LDC was to act as an agent for the Parking Meter Division in the purchase of the 3147 South Grand property. As part of this agreement the Parking Meter Division paid \$10,000 to the LDC to be used as a retainer on a purchase option. The \$10,000 was to be returned to the Parking Meter Division if the purchase option was not completed. The agreement also stated the property at 3147 South Grand would be conveyed to the city upon the LDC obtaining title, with this date being no later than February 3, 1985. This date passed and the LDC had yet to exercise its purchase option.

However, the \$10,000 was not returned to the Parking Meter Division. Rather, an amended Memorandum of Agreement was formulated. This amended agreement stated the completion of the purchase would be "... on or before March *, 1986." The LDC received title to the property on March 5, 1986. However, the city of St. Louis did not receive title until September 30, 1987, approximately one and one-half years later. It is apparent that the Parking Meter Division's failure to monitor contractual terms and pursue the timely transfer of the land interest in accordance with division plans resulted in an excessive time delay. Approximately \$200,000, including \$125,000 in federal funds and \$75,000 in Parking Meter Division monies were paid out approximately two years prior to the city actually receiving title to the land purchased.

C. Financing

The Parking Meter Division's method for financing the purchase at 3147 South Grand did not comply with Section 82.480, RSMo 1986.

The Parking Meter Division borrowed \$90,000 on a fixed rate promissory note to finance the division's portion of the land purchase. The division pledged as collateral a \$100,000 certificate of deposit from funds referred to as Kiel Auditorium monies. The note was eventually repaid from the Kiel Auditorium checking account.

Section 82.480, RSMo 1986, specifically states the allowable methods of financing the acquisition of property for parking motor vehicles. Those methods include general revenue funds, general obligation bonds, negotiable interest-bearing revenue bonds, and special benefit assessments. Borrowing on a fixed rate promissory note does not appear to fall within statutory intent.

D. Demolition and Construction

The Parking Meter Division paid \$56,410 for demolition and construction at the property site.

The division paid \$25,000 to the LDC for costs related to demolition. Although the cost was paid entirely by the Parking Meter Division, the service contract was between the LDC and the wrecking company. There is no assurance that the demolition services were received at the best available price. In addition, it was determined the division paid for demolition costs approximately fourteen months prior to receiving proper title to the property. As a result, \$25,000 in city funds were spent based on a contingent sales contract.

From copies of canceled checks, it was determined that the division paid a construction company \$31,410 to construct a parking lot with twenty-two parking spaces. There was no evidence of a formal contract, and no assurance the contract was awarded on the basis of the lowest and best bid.

E. Expected Revenues

Currently generated revenues do not clearly justify the purchase of the land to construct a parking lot.

In a memorandum to the city's federal grant section, Larry Williams stated that the construction of a parking lot in the area of 3147 South Grand was essential to the revitalization of the area. His correspondence indicated that annual projected income of \$15,000 to \$18,000 was expected. Based on the twenty-two parking spaces available, if all spaces were filled during all chargeable hours, a maximum of \$14,859 could be collected in one year.

Irrespective of projections and maximum revenue computations, the Parking Meter Division, during its first six months of operation, collected a weekly average total of \$33 in parking revenue for the 3147 South Grand parking lot. Based on this average, the division could expect annual revenues of only \$1,718.

These revenue figures pose several problems. First, such nominal revenue amounts appear to indicate parking demand in the South Grand area might not be as high as indicated by Mr. Williams. We recognize noneconomic factors, such as neighborhood improvement, do not always directly relate to revenues. However, because these noneconomic factors were not enumerated in the negotiations phase, we cannot conclude the purchase was economically or otherwise justifiable. Secondly, taking into consideration only the parking meter funds used to finance the purchase, the cost recovery period is extremely long. When the \$125,000 in federal funds are taken into consideration, it is difficult to support the land purchase as a prudent economic decision because it would take 150 years to recover costs.

Our review of the events surrounding this purchase, indicate that the need was not adequately documented, the financing method was inappropriate, and costs incurred do not indicate the lowest and best bids were taken. As a result, in excess of \$250,000 in city and federal monies were spent on a project that the Parking Meter Division has little supporting documentation to justify the purchase.

WE RECOMMEND in the event the Parking Meter Division exercises its authority in the future to purchase land, the following procedures be implemented:

- A. Completely document all sales negotiations, including purchasing methods, appraised values, and other economic and noneconomic factors.
- B. Effectively monitor all contractual relationships to ensure terms are in compliance with division plans and city and federal monies are not excessively held in escrow.
- C. Comply with Section 82.480, RSMo 1986, regarding purchase financing.

- D. Ensure services are received at the best available price by going through the city's established procurement system.
- E. Reasonably estimate expected revenues and monitor actual revenues for cost recovery purposes. In the event noneconomic factors are a purchase consideration, these should be adequately documented.

AUDITEE'S RESPONSE

A,B,

& D. We concur. We have discussed this specific transaction with all individuals involved to try to obtain all information possible relating to the purchase of the South Grand property.

- C. Article 15, Section 2 of the city charter authorizes the Comptroller to enter into temporary loans to pay debts of the city and the financing of the South Grand property was done pursuant to this section of the charter.
- E. The Parking Meter Division is currently reviewing the rental rates for the South Grand lot and believes that these new rates will cause the lot to produce adequate revenue.

AUDITOR'S COMMENT

- C. The section of the charter cited by the auditee deals with the general operations of the city. Section 82.480, RSMo 1986, relates specifically to the operations of the Parking Meter Fund. The state statute outlines specifically the ways in which the Parking Meter Fund may finance the acquisition of property for parking motor vehicles.

2. Lease Agreements

As allowed by Section 82.470, RSMo 1986, the parking meter supervisor is currently a party to three lease agreements. Our review of these agreements brought to our attention the following concerns:

- A.1. A current written agreement does not exist for property leased to a private individual. On March 1, 1985, the Parking Meter Supervisor agreed to lease property for the purposes of customer parking at an annual charge of \$3,000. The agreement formulated at that time stated that the contract expired on February 28, 1986. There were four one-year extension options, and written notice was required by the lessee to extend the agreement. In the event written notice was not given, the agreement could continue on a month-by-month rental basis for one year past the expiration date. This informal extension was based on the premise the lessee would continue to pay rent on a timely basis. The lease expired on February 28, 1986, and the lessee continued to make rental payments. The extension option expired on February 28, 1987, and as late as October 1987 we saw no evidence of the lease agreement being formally renewed. The failure to formally renew the lease agreement has violated Section 432.070, RSMo 1986, which requires all contractual agreements be made in writing.

2. In addition to the lease agreement not being current, the Parking Meter Supervisor did not adequately document the basis for the established rental charge. In March 1985, when the lease agreement was formulated, the division had no immediate need for the parking area associated with the lease. An annual rent of \$3,000, to be paid in monthly installments of \$250, was agreed upon as reasonable. We did not locate any documentation specifying what direct or indirect costs had been considered on the determination of a reasonable rental charge. Further, we saw no evidence the rate had been reevaluated since its inception in 1985.

To ensure charges are reasonable and all available methods for maximizing revenue are evaluated, lease agreements should be periodically reviewed and analyzed. Documentation of these periodic analyses should be retained.

- B. Effective October 1983, the Parking Meter Division entered into an agreement to allow S&H Parking Systems to operate two city parking lots daily from 7 P.M. to 8 A.M. and all day on holidays. The agreement outlined the following specifications:

- 1) S&H was authorized to charge a maximum of \$1 per parking space.
- 2) Seventy percent of the gross proceeds were to be transmitted to the city; the remaining 30 percent was retained by S&H.
- 3) S&H was required to make an accounting of the number of vehicles parked and the total fees charged. This report was to accompany the monthly remittance made by S&H to the Parking Meter Supervisor.

Our review of this agreement revealed an undocumented and unapproved change in the revenue allocation ratio. During March 1985, S&H began paying only 50 percent of the parking proceeds to the city. Parking Meter Division personnel took no steps to correct the situation. We estimate the Parking Meter Division forfeited approximately \$5,500 in revenues for the period March 1985 through April 1987.

S&H Parking Systems had no authority to change contractual terms and remit revenues according to a lower allocation ratio. However, the Parking Meter Division was responsible for monitoring the agreement and ensuring compliance with contractual terms. The division's failure to properly monitor the agreement has resulted in lost city revenues.

- C. During 1984, the division purchased a parking meter facility at 1621 Olive. In conjunction with this purchase, the division assumed an existing tenancy lease. The lease agreement was formulated by the previous owner of the facility and allowed the Service Exchange Company to lease a portion of the building for an uninterrupted ten-year period at an annual rent of \$6,660. The lease expiration

date, according to the written lease agreement, was September 14, 1989. During sale negotiations, the Parking Meter Division agreed to honor the existing tenancy. It would appear the division's contractual agreement to accept this tenancy is binding until September 1989.

As noted, the annual rent is \$6,660, to be paid in \$555 monthly installments. The Service Exchange Company leases approximately 1,320 square feet of office space; a walk-in vault is also available. In addition, the \$555 monthly rent includes four assigned parking spaces. Taking into consideration the square footage of the building only, the Service Exchange Company pays \$5 per square foot. An appraisal performed by the Comptroller's office prior to the division's purchase of the building indicated a market value of \$10 to \$12 per square foot.

As illustrated above, it appears the division did not maximize revenues to the extent possible. Prospectively, the division should closely evaluate the sufficiency of the rental amount and the adequacy of the lease terms upon expiration of the agreement in September 1989. The evaluation process should be formally documented in writing.

WE RECOMMEND the Parking Meter Supervisor:

- A. Ensure all lease agreements are periodically reviewed for reasonableness and are maintained on a current basis in writing.
- B. Contact S&H Parking Systems and pursue recovery of underpayment of revenue.
- C. Evaluate the lease agreement with Security Exchange Company for reasonableness upon its expiration in September 1989.

AUDITEE'S RESPONSE

- A. All parking lot agreements and leases relating to off-street parking arrangements with the Parking Meter Division, have been properly executed and are now on file in the Parking Meter Division office.
- B. All contract arrangements between S&H Parking Systems and the Parking Meter Division are now firmly in hand. Supporting statements from the managers of Kiel Auditorium confirm the arrangements which necessitated the mutual agreement in amending the original S&H contract, dated October 1983. Further, under the mutually agreed to amendment, S&H Parking Systems has no legal or other obligations to pay the Parking Meter Division any additional revenues.
- C. The lease agreement, currently in effect for the currency exchange, expires September 14, 1989. We have no intentions of renewing this agreement because the Parking Meter Division is badly in need of the space.

3. Annual Allocation to Department of Streets

The Board of Estimate and Apportionment has for several years appropriated a portion of the Parking Meter Division's fund balance to be paid over to the Street Department. Section 17.62.220 of the Revised Code of the City of St. Louis states that all Parking Meter Fund balances not specifically committed for immediate need may be drawn upon for the purpose of furthering the regulation of traffic. Since traffic regulation is a function of the Street Department, the budget ordinance requires a transfer of assets from the Parking Meter Fund to the Streets Department. Our review of this budget ordinance provision for the two years ended April 30, 1988, brought to our attention the following concerns:

- A. Based on our review and discussions with division personnel, the Parking Meter Division has never complied with budget ordinances allowing the transfer of funds to the Department of Streets. During the year ended April 30, 1987, the Board of Estimate and Apportionment (Board of E&A) appropriated \$200,000 from the Parking Meter Fund to the Department of Streets. The same amount was appropriated for the year ended April 30, 1988. According to division management, this budget ordinance is binding only to the extent funds are available for transfer. Since the division's monthly financial reports indicated all available resources were committed for disbursement, it is the division's position that sufficient funds were not available.

However, based on our examination, we determined the division had an available balance of \$745,292 and \$708,645 at April 30, 1987 and 1988, respectively.

Because transfers were not made in compliance with the budget ordinance, general revenue funds were unnecessarily depleted.

In the future, provisions should be made on a monthly basis to transfer uncommitted parking meter funds to the Street Department in accordance with budget ordinance.

- B. The monthly financial report prepared by the Meter Division and submitted to the comptroller distorts the financial condition of the division and further, does not comply with provisions set forth in the Revised Code of the City of St. Louis. Section 17.62.220 of the code requires the city treasurer to submit a monthly report to the comptroller documenting receipts, disbursements, and the total amount of money in the Parking Meter Fund. This balance is to specify what portion is uncommitted by contract and not immediately needed for salary and incidental expense purposes. Our examination of these reports revealed they overestimated amounts committed for expenditures, thereby reducing the available balance to a point where commitments exceeded asset balances. For example, the division committed \$88,000 in 1987 and 1988 for the replacement of a roof on one of the satellite parking facilities. We learned there is no signed contract for the replacement of the roof. Rather, the amount has been reserved in the event roof replacement would

become necessary. This approach of committing all available funds is not in accordance with code provisions.

The purpose of the Parking Meter Division preparing a monthly financial report is to provide a fair presentation of operations and to provide a monitoring tool to both the comptroller and the Board of Estimate and Apportionment. Additionally, the report should be used internally as a budget tool for controlling expenditures and ensuring fund balances are adequate to provide for the annual allocations discussed above.

- C. The Parking Meter Division agreed to purchase the Street Department a \$30,000 traffic counter system during February 1988. Because the Comptroller's office was not informed of this agreement, the Parking Meter Division received no reduction in the appropriation due to the Street Department

Correspondence dated January 1988, addressed to Larry Williams and signed by the Traffic and Transportation Administrator indicated a new traffic counter system was needed by the Street Department. Because the Parking Meter Division is required to partially fund city traffic control operations, the Street Department requested the Meter Division to directly purchase the system. The division agreed and undertook the project. The equipment was ordered by the division, paid for by the division, and delivered to the Street Department. As a result of handling the purchase in this manner, the Street Department received funding in addition to their general revenue appropriation amounts and the Parking Meter Division did not receive appropriate credit for this purchase.

To ensure the division receives proper credit for any expenditure amounts related to the Street Department, all purchases of traffic control equipment should be transacted only on the basis of formal fund transfers.

WE RECOMMEND:

- A. The Parking Meter Division comply with budget ordinances by making monthly provisions to transfer required funds to the Street Department.
- B. The monthly financial report be formulated in accordance with Section 17.62.220 of the Revised Code of the City of St. Louis.
- C. Any financial transactions between the Street Department and the Parking Meter Division be handled through the Comptroller's office as a normal fund transfer.

AUDITEE'S RESPONSE

- A. While the Board of Estimate and Apportionment actions on the surface may appear to bind the Parking Meter Division to some specific commitment to the General Revenue Fund, they are both ambiguous and

misleading. The Board of Estimate and Apportionment passed on an obscure item deeply imbedded in a voluminous document which the budget director later admitted was an error. Subsequently, remedies have been taken to correct this unfortunate error.

- B. Anticipated expenditures noted during the fiscal year's budget referred to in the State Auditor's report were given to this department as future cost for specific items. More specifically the roofing cost referred to was a figure supplied by the Board of Public Service indebtedness to them.
- C. The \$30,000 spent for traffic counters was in keeping with the designation of city funds from the Parking Meter Division. Prior to paying for this item, the Comptroller's office was contacted and approved the purchase by approving and paying the voucher. It was our understanding, at the time, that credit would be given and that the expenditures were covered under Section 17.62.220.

AUDITOR'S COMMENT

- B. As stated in the response the mentioned costs were possible future costs and not actually committed by the Parking Meter Division. The city code requires the information concerning uncommitted funds be reported, not possible future costs.

4. Cash Controls

During the year ended April 30, 1987, the Parking Meter Division processed approximately \$1.7 million in cash receipts. Our review of the procedures for handling these funds disclosed the following areas where internal accounting controls could be strengthened:

- A.1. The responsibility for preparing bank reconciliations is assigned to either of two parking meter employees. Both individuals have access to cash. We observed that the reconciliations are typically initialed by the preparer, but we saw no evidence that the monthly reconciliations are independently reviewed.

Monthly bank reconciliations should be prepared by an individual with no access to cash. If this arrangement is not feasible, at a minimum, the reconciliation should be independently reviewed and that review documented.

- 2. Responsibilities assigned to the accounts payable and receivable clerk do not provide adequate segregation of duties over Parking Meter Division assets. The clerk is responsible, among other things, for preparing expenditure vouchers, preparing bank deposit slips, and making entries to the accounting ledger. This situation results in one person having all the responsibilities dealing with parking meter funds. This arrangement could result in unauthorized purchases, undeposited collections, or undetected bookkeeping errors.
- 3. Duties performed by the finance manager do not provide adequate internal accounting controls. The finance manager prepares monthly reports of cash receipts, disbursements, and related balances, is an

authorized check signer, and, on occasion, prepares the bank reconciliation. This mixture of responsibilities provides less assurance that all expenditures are appropriate for parking meter operations.

To the extent it is feasible, the responsibilities of cash handling, record keeping, and transaction authorization should be independently assigned. If the cost of this assignment exceeds the derived benefit, a detailed, documented review by an independent supervisor should be regularly conducted.

- B. A change fund maintained by the division has not been established on an imprest basis. According to division personnel, a nominal amount of daily coin collections is withheld from the bank deposit. Apparently, on occasion, the computerized coin counting machine makes totaling errors. According to division personnel, these errors result from foreign objects being inserted into parking meters and not being recognized by the counting machine as noncoins. Therefore, the computed totals may not always agree to the actual coins to be deposited. If this occurs, the bank assesses a service charge to correct the deposit amount error. To avoid incurring the service charge, the Parking Meter Division began withholding approximately \$1 to \$3 each day. This money is not processed through the coin counting machine and, in the event computed totals disagree with the actual coins to be deposited, these withheld coins are used to supplement any differences. Although the desire to avoid unnecessary service charges is admirable, the need to establish the change fund at an imprest balance is imperative. We were informed the balance never exceeds \$3, but because no records are maintained, we could not assure ourselves of this. This apparent lack of control over this nominal change fund could easily result in undetected misuse or theft of unlimited amounts of funds.

All change funds should be maintained on an imprest balance, with all receipts and disbursements being properly recorded.

WE RECOMMEND:

- A. The duties currently performed by the finance manager and accounts payable and receivable clerk be realigned to ensure assets are properly safeguarded. The responsibilities of cash handling, record keeping, and transaction authorization should be segregated.
- B. The change fund be formally established at an imprest amount to ensure propriety of transactions and accountability over balances.

AUDITEE'S RESPONSE

- A. After an independent study by Price Waterhouse, their recommendations were implemented. The duties of the cash agents were segregated and are being maintained by the internal auditor.
- B. The change fund, a fund that never exceeded \$3 has long been eliminated. Parking meter funds are now being transported to and counted at the bank. This eliminated any in-house counting of revenue.

5. Personnel Records and Procedures

Because he is separately elected, the Treasurer, as Parking Meter Supervisor, is not subject to the city's civil service personnel policies. Personnel policies addressing compensated leave, timekeeping, and other administrative issues have been established specifically for the Parking Meter Division. Our review of these policies revealed the following concerns:

A. Our review of established vacation and sick leave policies and the related record-keeping procedures identified the following needed improvements:

- 1) Records documenting sick leave balances are not consistently accurate and complete. Sick leave benefits accrue at a rate of ten hours each month, to a maximum of 760 hours. During any month where an employee uses sick leave hours in excess of his current balance, his pay is reduced accordingly. In addition, if an individual uses in excess of ten sick leave hours during any month, he accrues no leave benefit in the subsequent month. Our review of the division's sick leave records revealed several instances where the number of sick leave hours used in a month were improperly calculated, the monthly balances were improperly calculated, and the policy of denying monthly benefits on the basis of excess use was not consistently applied. Although employees are not paid for unused sick leave upon termination, inaccurate sick leave records could result in excessive unnoticed use of sick leave or improper reduction of employee pay.

To ensure fair and proper extension of sick leave benefits, related records should be accurately maintained and periodically reviewed by an independent party.

- 2) Records documenting cumulative vacation leave balances are not maintained by the payroll clerk. Each parking meter employee receives four to six weeks of vacation leave each year, depending on individual employee service years. All hours granted must be used during the year received.

The payroll clerk relies entirely on daily leave records to account for vacation leave used. This informal procedure could result in employees not receiving all appropriate leave benefits or could allow some individuals to receive vacation leave benefits in excess of the entitled amount.

To ensure all employees are cognizant of leave benefits earned and taken, a complete record of vacation leave earned and taken, along with a corresponding balance, should be maintained.

B. The responsibilities of preparing biweekly payroll records and distributing payroll checks are not independently assigned. The

payroll clerk is custodian of all payroll records, computes biweekly payroll amounts, and also distributes payroll checks. This situation could result in undetected errors or irregularities. Because the payroll clerk's work is not independently reviewed, such errors or irregularities might never be revealed.

To provide assurance that all payroll expenditures are properly approved and payments are made only to bona fide Parking Meter Division employees, the functions related to the preparation of payroll records should be clearly separated from the check distribution function.

WE RECOMMEND the Treasurer (Parking Meter Supervisor):

- A.1. Ensure sick leave records maintained are complete and accurate.
- 2. Implement procedures to account for vacation leave earned and taken. Monthly cumulative balances should be maintained.
- B. Independently assign the responsibilities of payroll preparation and payroll distribution.

AUDITEE'S RESPONSE

- A. The sick and vacation leave log for all personnel is currently being reviewed by the Labor Relations Manager and the Internal Auditor on a monthly basis.
- B. Time keeping, payroll preparation, and filing are done separately, independent of the person who receives and distributes the payroll checks. Periodic payroll testing is done by the auditor. Employees, from time to time, are required to come in, present their identification and sign for their checks.

APPENDICES

Appendix A-1

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

RECEIPTS	
Parking meter collections	\$ 1,828,850
Interest earnings	34,742
S\$H parking receipts	8,484
Contract receipts	59,065
Meter damages receipts	2,140
Miscellaneous	16,663
Total Receipts	<u>1,949,944</u>
DISBURSEMENTS	
General operating costs	1,935,273
Bank service charges	7,455
Total Disbursements	<u>1,942,728</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	<u><u>\$ 7,216</u></u>

Appendix A-2

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF RECEIPTS AND DISBURSEMENTS
YEAR ENDED APRIL 30, 1987

(U N A U D I T E D)

RECEIPTS

Parking meter collections	\$ 1,565,651
Interest earnings	28,975
S&H parking receipts	6,152
Contract receipts	55,180
Meter damage receipts	2,687
Miscellaneous	12,348

Total Receipts	<u>1,670,993</u>
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DISBURSEMENTS

General operating costs	1,615,834
Building demolition cost	25,000

Total Disbursements	<u>1,640,834</u>
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RECEIPTS OVER (UNDER) DISBURSEMENTS	<u><u>\$ 30,159</u></u>
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Appendix B-1

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF CASH AND INVESTMENT BALANCES
JUNE 30, 1988

(U N A U D I T E D)

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CASH

Mercantile State Bank, interest-bearing account (6 percent)	\$ 320,044
Southwest Bank, interest-bearing account (6 percent)	258,222
Total Cash	<u>578,266</u>

INVESTMENTS

Southwest Bank:	
Certificate of deposit (7.30 percent)	100,000
Certificate of deposit (7.30 percent)	100,000
Certificate of deposit (7.30 percent)	100,000
Certificate of deposit (6.25 percent)	21,803
Centerre Bank,	
Certificate of deposit (5.25 percent)	61,964

Total Investments	<u>383,767</u>
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Total Cash and Investments	<u>\$ 962,033</u>
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Appendix B-2

OFFICE OF THE TREASURER
PARKING METER DIVISION
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF CASH AND INVESTMENT BALANCES
APRIL 30, 1987

(U N A U D I T E D)

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CASH

Missouri State Bank, interest-bearing account (6 percent)	\$ 317,876
Southwest Bank, interest-bearing account (6 percent)	218,081
Total Cash	<u>535,957</u>

INVESTMENTS

Southwest Bank:	
Certificate of deposit (6.375 percent)	100,000
Certificate of deposit (6.375 percent)	100,000
Certificate of deposit (6.375 percent)	100,000
Certificate of deposit (5.5 percent)	20,901
Centerre Bank,	
Certificate of deposit (5.25 percent)	58,434

Total Investments	<u>379,335</u>
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Total Cash and Investments	<u>\$ 915,292</u>
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